



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ALLEN COUNTY  
SHERIFF'S SETTLEMENT - 1998 TAXES**

**As of January 15, 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 1998 TAXES .....	2
NOTES TO FINANCIAL STATEMENT .....	4
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Honorable Johnny Hobdy, County Judge/Executive  
Honorable William Ernest Foster, Allen County Sheriff  
Honorable Sam Bray, Former Allen County Sheriff  
Members of the Allen County Fiscal Court

Independent Auditor's Report

We have audited the Allen County Sheriff's Settlement - 1998 Taxes as of January 15, 1999. This tax settlement is the responsibility of the Allen County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Allen County Sheriff's taxes charged, credited, and paid as of January 15, 1999, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued a report dated July 17, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 17, 1999

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ALLEN COUNTY  
SAM BRAY, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

As of January 15, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 303,999	\$ 609,533	\$ 1,615,186	\$ 470,336
Tangible Personal Property	54,032	123,729	287,082	182,938
Intangible Personal Property				43,111
Fire Protection	1,642			
Franchise Corporation	28,057	61,706	148,430	
Oil Property	215	431	1,142	332
Additional Billings	552	1,107	2,933	853
Limestone, Sand, and Gravel Reserves	95	190	503	147
Increased Through Erroneous Assessments	398	798	1,896	1,645
Penalties	60	114	303	
Adjusted to Sheriff's Receipt	(31)	(56)	(173)	(17)
Gross Chargeable to Sheriff	\$ 389,019	\$ 797,552	\$ 2,057,302	\$ 699,345
<u>Credits</u>				
Discounts	\$ 3,656	\$ 7,390	\$ 19,317	\$ 7,799
Exonerations	4,320	9,252	22,928	4,730
Uncollected Franchise	7,272	14,927	38,580	
Transferred to Incoming Sheriff	51,761	103,789	273,869	87,417
Total Credits	\$ 67,009	\$ 135,358	\$ 354,694	\$ 99,946
Net Tax Yield	\$ 322,010	\$ 662,194	\$ 1,702,608	\$ 599,399
Less: Commissions *	13,973	27,447	51,078	25,762
Net Taxes Due	\$ 308,037	\$ 634,747	\$ 1,651,530	\$ 573,637
Taxes Paid	307,952	634,680	1,651,461	573,621
Refunds (Current and Prior Year)	94	189	502	146
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ (9)	\$ (122)	\$ (433)	\$ (130)

\* and \*\* See Page 3

ALLEN COUNTY  
 SAM BRAY, SHERIFF  
 SHERIFF'S SETTLEMENT - 1998 TAXES  
 As of January 15, 1999  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,295,203
4% on	\$	278,400
3% on	\$	1,702,608

\*\* Special Taxing Districts:

Library District	\$	(84)
Health District		(16)
Extension District		(33)
Soil Conservation District		23
Ambulance Service District		<u>(12)</u>
Due Districts or (Refunds due Sheriff)	\$	<u><u>(122)</u></u>

The accompanying notes are an integral part of the financial statement.

ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENT

As of January 15, 1999

Note 1. Summary of Significant Accounting Policies

Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of November 20, 1998, the uncollateralized amount on deposit was \$63,595. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the Sheriff did not have a written agreement with the depository institution.

ALLEN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 As of January 15, 1999  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 20, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name and FDIC coverage	\$ 1,350,000
Uncollateralized and uninsured	<u>63,595</u>
Total	<u>\$ 1,413,595</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 1998 through December 31, 1998.

Note 4. Interest Income

The Allen County Sheriff earned \$3,653 as interest income on 1998 taxes. The Sheriff distributed \$1,020 to the school district and currently owes the school district an additional \$815 as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1998 taxes, the Sheriff had \$455 in unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department and remit to the County Treasurer \$455 to be escrowed.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Johnny Hobdy, County Judge/Executive  
Honorable William Ernest Foster, Allen County Sheriff  
Honorable Sam Bray, Former Allen County Sheriff  
Members of the Allen County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Allen County Sheriff's Settlement - 1998 Taxes as of January 15, 1999, and have issued our report thereon dated July 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Allen County Sheriff's Settlement - 1998 Taxes as of January 15, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

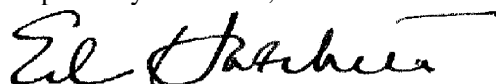
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allen County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Johnny Hobdy, County Judge/Executive  
Honorable William Ernest Foster, Allen County Sheriff  
Honorable Sam Bray, Former Allen County Sheriff  
Members of the Allen County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 17, 1999

